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SUBJECT: Hong Kong-Based Corporate Finance Officers To Try
Stop "Enrons Just Waiting to Happen" in China

REF: 05 Guangzhou 24188 (notal)

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¶1. (SBU) Summary: The Chief Financial Officers of several prominent Hong Kong-based international multinational companies along with a few of their mainland-based counterparts have established the "International Association of CFOs and Corporate Treasurers (China) Limited" (IACCT China) with the aim of helping create a professional class of CFOs in Chinese businesses where traditionally authoritarian top managers tend to view CFOs and Treasurers as glorified bookkeepers who would just get in the way of their wheeling and dealing. The heavily Cantonese-accented Mandarin spoken by the leaders of the Association may limit communications with mainland counterparts perhaps except in Guangdong where the Association decided to hold its inaugural coming out party. The biggest gap, however, may not be linguistic but cultural since the concepts of accountable business management are not exactly widespread even in a Guangdong setting with a head start in "reforming" enterprise development. End Summary.

IACCTing Up

¶2. (U) They are certainly not any where near being as well known as their bosses, but a group of Chief Financial Officers and Treasurers from a number of Hong Kong-based multinational companies has teamed up with a smaller number of counterparts on the mainland to establish IACCT China. At their inaugural event in China, held in Guangzhou and co-sponsored by the American Chamber of Commerce Guangdong, IACCT China Chairman and AIG Regional Director and Treasurer Peter Wong introduced the organization as one dedicated to establishing a truly professional class of CFOs and Treasurers in China. Wong and AmCham Guangdong President Harley Seyedin remarked that with banking reform in China gaining momentum, a different and more specialized skill set is required in managing financial assets and

liabilities as well in managing relations with banks, institutional investors, and rating agencies. Sharing treasury practices, creating a network of treasurers and CFOs, and developing treasury training and certification will make the investment environment in China more favorable and attract more foreign investment, they remarked to an audience including Guangdong provincial and Guangzhou municipal investment promotion officials.

A Constellation of Stars, As Such

13. (U) Wong noted that several CFOs and corporate treasurers, mostly members of the Hong Kong Association of Corporate Treasurers, established the 'China Treasury Forum' initiative 18 months ago, and IACCT China developed as part of this initiative to invite CFOs and senior finance executives in both multinational companies and Chinese enterprises based in China to join as members. He was accompanied at the event by several colleagues from Hong Kong, including Timothy Shen, CFO, Universal Holdings; Keith Yuen, Head of Treasury and Investment, Hong Kong Land; Stephen Leung, Group Treasurer, Hysan Development; Mark Takahashi, Group Treasurer, CLP; Peter Tse, General Manager-Finance, CLP; W. K. Lo, Group Treasurer, Hong Kong and China Gas; Francis Wai, CFO, Dragonair; Eyman Tsang, General Manager, Corporate Finance and Treasurer, Hong Kong and Shanghai Hotels; Nikson Ma, Financial Controller-China, Emerson; and K. S. Chan, Group Treasurer, Hutchison Whampoa.

Starting in a Receptive Climate

14. (SBU) Asked by Congenoff why IACCT China chose Guangzhou as its venue for its inaugural event in the mainland, Wong noted that there has been a considerable amount of interaction between counterparts in Hong Kong and

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in the Pearl River Delta. For example, many Hong Kong enterprises operating in the PRD have been approached by mainland companies trying to learn about possibly issuing shares in the Hong Kong securities markets. Moreover, people such as Stephen Cheng, Amway CFO and an AmCham Guangdong board director have also been helpful in trying to get IACCT off the ground.

"Enrons Waiting to Happen"

15. (SBU) Wong added, however, that members of IACCT China were by no means naive enough to believe that Chinese enterprises, whether in Guangdong or further away from Hong Kong, were receptive to the concept of giving company CFOs and Treasurers greater role in management and business planning. "They think that CFOs are just bookkeepers, and the best bookkeepers are those that keep their mouths shut," Kong said, adding that the top management of most Chinese enterprises, state-owned or genuinely private, run their firms in a highly authoritarian manner oblivious to the advice that professionals such as CFOs should deliver. Nevertheless, if China is ever to develop genuinely accountable and sustainably profitable world-class companies, then it was critical that the CFOs in these companies become more sophisticated, ethical, and influential. Otherwise these companies are "Enrons just waiting to happen," Wong said.

Comment

16. (SBU) One obstacle for IACCT China getting much traction on the mainland might be linguistic. While the English-speaking part of IACCT presentations at the inaugural cocktail party was flawlessly fluent, their attempts to translate themselves into Mandarin had a heavily Cantonese flavoring that might not go over too well in Shanghai and Beijing where the group hopes to go for similar events later in the year. The real obstacle for

IACCT China is not dialect differences, however, but conceptual. IACCT is planning to hold a seminar in Guangzhou in a few months as a first step in trying to create "certification" standards for professional CFOs and Treasurers in China. There is no denying that such standards and the business values inherent in them are absolutely crucial for a truly modern economy to develop in China. The problem is that it is unlikely that there is as yet a market for such certification standards -- which means that the unaccountable authoritarian style of the top management tier in most of south China's enterprises is unlikely to evolve very quickly.

Dong